# ENERGY SITUATION ANALYSIS REPORT

**May 17, 2002**

***(next scheduled update: May 20, 2002)***

**Energy Information Administration**
**US Department of Energy**
**Washington, DC 20585**
**(202) 586-8800**

***Petroleum*** ***Natural Gas*** ***Coal*** ***Electricity***

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## Latest Energy Market Developments

(updated May 17, 2002)

Crude oil prices rose modestly on Friday, May 17. Prices for near-month West Texas Intermediate (WTI) crude oil on the NYMEX rose 22 cents per barrel on Friday to close at $28.17 per barrel, after falling 20 cents per barrel on Thursday. Short covering late in the trading session Friday erased earlier losses. Oil prices are being supported by several months of OPEC and non-OPEC oil production cutbacks since January 1, 2002, plus the one-month Iraqi unilateral embargo from April 8-May 8, 2002, which have led to reductions in oil inventories and import levels. As of May 10, U.S. commercial crude oil inventories were nearly 10 million barrels below year-earlier levels, and are in the bottom half of the normal range for inventories at this time of year. This week, both the Energy Information Administration and the American Petroleum Institute reported draws in U.S. crude oil stocks. In addition, oil markets remain concerned over the Palestinian-Israeli situation, U.S.-Iraq tensions, and the potential for Middle East instability at some point to result in an oil supply disruption from the region, though the price slide on Wednesday and Thursday may indicate some waning of the "risk premium."

Other topics affecting **world oil markets** include:

- Russian Prime Minister Mikhail Kasyanov told reporters after meeting with Russian oil company executives Friday that Russia would abandon its deal with OPEC to curb exports of crude oil. He said Russian exports should return to pre-cut levels by the time the current deal with OPEC ends at the end of June.
- A spokesperson for Norway's Petroleum Ministry said Friday that Norway would decide in mid-June whether or not to extend output cuts beyond June. Norway had pledged to cut production by an average of 150,000 barrels per day in the first and second quarters of 2002 in cooperation with OPEC.
- Iraqi leader Saddam Hussein denounced the overhaul of U.N. sanction against Iraq on Thursday, but indicated that Iraq would proceed with exports under the "Oil-for-Food" program, confirming earlier Iraqi statements.

Other recent developments in **U.S. energy markets** include:

- As of May 17, the U.S. Strategic Petroleum Reserve (SPR) contained 567.7 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.
- U.S. gasoline prices have been stable in the last several weeks, roughly $0.30 per gallon below last year's levels.
- Spot natural gas prices continued to decline yesterday as prices at most major market locations moved down between 10 and 20 cents per MMBtu, although some locations had much larger declines. The price at the Henry Hub declined 18 cents per MMBtu to $3.44 per MMBtu as cooler temperatures spread throughout most of the country. In Florida, where over two weeks of pipeline transmission constraints have ended and most of the recent hot weather has dissipated, prices dropped $1.78 per MMBtu but still remained over $5.00 per MMBtu.
- In the latest week, near-quarter over-the-counter (OTC) coal prices mostly held steady or moved down by small percentages. On average, settled prices since early February 2002 have been relatively level, in the $25 to $28 per short ton range with generally low daily volumes.
- U.S. wholesale electricity prices have been mixed over the past seven days (excluding weekend transactions) as electricity demand has increased and decreased based on changes in the weather.

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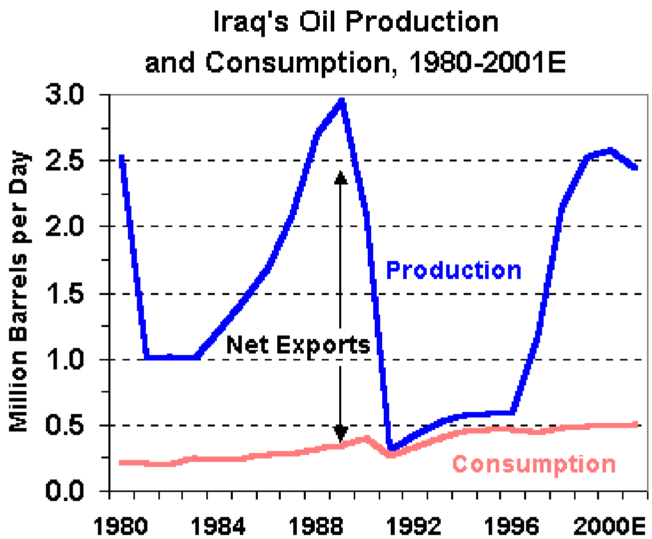
## Special Topic -- Basic Facts on Iraq

(updated May 14, 2002)

While Iraq's weekly export levels fluctuate, the country remains an important world oil player, with U.N. "Oil-for-Food" exports from January 1, 2002 through April 8, 2002 averaging 1.7 million barrels per day. "Oil-for-Food" exports ceased on April 8, when the country declared a unilateral 30-day crude oil export embargo. Iraq began pumping crude oil to its export terminals on May 8 after lifting a month-long embargo. The first tanker loaded at Mina al-Bakr left on May 11, while the first tanker for loading at Ceyhan arrived May 14.

The United States is the largest single market for Iraqi oil, with almost half of Iraqi oil exports bound for the United States in 2001. Imports from Iraq accounted for an average 8% of total U.S. imports in 2001. In 2001, Iraq was the sixth-largest source of U.S. crude oil imports, behind Saudi Arabia, Mexico, Canada, Venezuela, and Nigeria.

The current phase of the "Oil-for-Food" program expires at the end of May 2002. The UN Security Council approved an overhaul of sanctions against Iraq on May 14. The resolution establishes a "goods review list" for dual-use (i.e., civilian or military) items that require UN Security Council approval before Iraq can purchase them. Items on the list have to be evaluated separately within 30 days. Most goods not on the list can go to Iraq after a 10-day review by UN officials. The Security Council's resolution also renews until November 25 the UN's "Oil-for-Food" program. Temporary downturns in Iraqi exports in association with program rollovers are common.




*Note: Production includes crude oil, lease condensate, natural gas liquids, ethanol, and refinery gain.*

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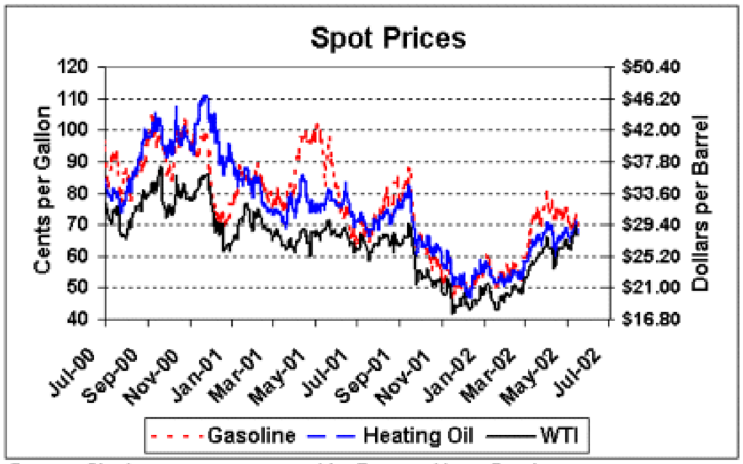
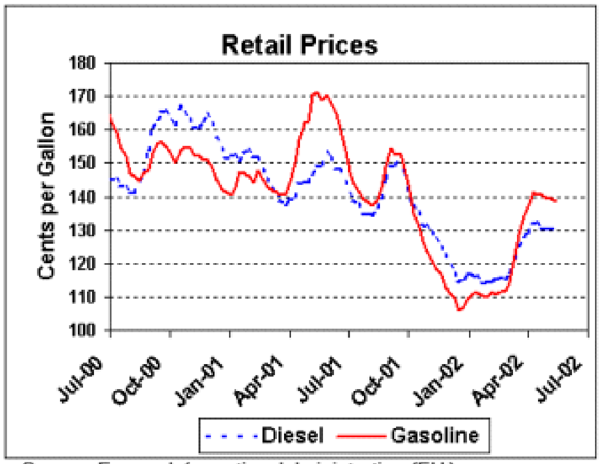
## U.S. Petroleum Prices

(updated May 17, 2002)




Source: Closing quote as reported by Reuters News Service




Source: Energy Information Administration (EIA)

## Crude Oil and Oil Products Price Table

| Date | WTI Crude Oil Spot Cushing | WTI Crude Oil Futures | Gasoline Spot NYH | Gasoline Futures | Heating Oil Spot NYH | Heating Oil Futures | Kerojet Spot NYH | Propane Spot Mt. Belvieu | Propane Spot Conway | EIA Weekly Retail US Average Gasoline | EIA Weekly Retail US Average Diesel |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $/bbl | $/bbl | cents per gallon | | cents per gallon | | c/gal | cents per gallon | | cents per gallon | |
| 3/29/2002 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | | |
| 4/1/2002 | $26.82 | $26.88 | 78.25 | 84.90 | 68.40 | 68.69 | 68.05 | 42.38 | 41.88 | 137.1 | 129.5 |
| 4/2/2002 | $27.75 | $27.71 | 80.15 | 86.98 | 70.65 | 70.95 | 72.75 | 44.82 | 44.63 | | |
| 4/3/2002 | $27.55 | $27.56 | 76.35 | 84.84 | 70.40 | 70.83 | 72.50 | 44.38 | 44.25 | | |
| 4/4/2002 | $26.64 | $26.58 | 74.75 | 82.33 | 68.40 | 68.66 | 70.50 | 44.01 | 44.50 | | |
| 4/5/2002 | $26.21 | $26.21 | 73.70 | 81.70 | 68.15 | 68.22 | 70.05 | 43.00 | 42.19 | | |
| 4/8/2002 | $26.16 | $26.54 | 77.57 | 84.19 | 69.57 | 69.30 | 71.20 | 43.82 | 42.94 | 141.3 | 132.3 |
| 4/9/2002 | $25.45 | $25.82 | 75.13 | 83.39 | 66.80 | 67.80 | 68.50 | 41.19 | 40.13 | | |
| 4/10/2002 | $26.15 | $26.13 | 76.00 | 83.44 | 67.35 | 67.84 | 68.98 | 41.00 | 40.13 | | |
| 4/11/2002 | $24.93 | $24.99 | 72.53 | 78.87 | 64.73 | 64.71 | 66.50 | 39.00 | 37.69 | | |
| 4/12/2002 | $23.51 | $23.47 | 66.48 | 72.96 | 60.03 | 60.05 | 61.93 | 38.07 | 36.63 | | |
| 4/15/2002 | $24.53 | $24.57 | 73.00 | 78.63 | 63.07 | 63.34 | 65.09 | 39.50 | 38.00 | 140.4 | 132.0 |
| 4/16/2002 | $24.92 | $24.75 | 74.73 | 79.29 | 64.23 | 63.78 | 66.25 | 39.50 | 38.00 | | |
| 4/17/2002 | $25.94 | $25.94 | 74.70 | 80.77 | 65.10 | 65.40 | 67.25 | 40.25 | 38.75 | | |
| 4/18/2002 | $25.86 | $26.18 | 74.57 | 81.13 | 65.30 | 65.58 | 67.25 | 41.13 | 39.13 | | |
| 4/19/2002 | $26.43 | $26.38 | 73.95 | 80.40 | 65.65 | 65.91 | 67.75 | 40.38 | 37.88 | | |
| 4/22/2002 | $26.28 | $26.27 | 72.82 | 79.02 | 65.55 | 65.81 | 67.65 | 41.00 | 38.50 | 140.4 | 130.4 |
| 4/23/2002 | $26.28 | $26.62 | 74.11 | 80.16 | 66.40 | 66.53 | 69.07 | 41.69 | 39.32 | | |
| 4/24/2002 | $26.28 | $26.38 | 71.89 | 78.76 | 66.10 | 66.12 | 68.28 | 41.13 | 39.19 | | |
| 4/25/2002 | $26.36 | $26.73 | 72.50 | 79.37 | 66.70 | 67.20 | 69.10 | 41.50 | 39.69 | | |
| 4/26/2002 | $27.12 | $27.11 | 74.00 | 81.39 | 67.60 | 67.90 | 70.00 | 40.69 | 39.25 | | |
| 4/29/2002 | $27.45 | $27.57 | 74.95 | 83.36 | 68.95 | 69.20 | 71.20 | 41.57 | 39.25 | 139.3 | 130.2 |
| 4/30/2002 | $27.32 | $27.29 | 74.93 | 82.30 | 68.65 | 68.90 | 70.90 | 42.00 | 39.88 | | |
| 5/1/2002 | $26.58 | $26.75 | 72.75 | 80.48 | 67.33 | 67.42 | 69.65 | 41.63 | 39.51 | | |
| 5/2/2002 | $26.31 | $26.24 | 71.73 | 78.49 | 66.38 | 66.07 | 68.48 | 41.09 | 38.50 | | |
| 5/3/2002 | $26.75 | $26.62 | 70.78 | 78.77 | 66.40 | 66.53 | 68.28 | 41.07 | 38.63 | | |
| 5/6/2002 | $26.11 | $26.12 | 69.07 | 77.45 | 64.40 | 64.98 | 66.00 | 40.75 | 38.13 | 139.5 | 130.5 |
| 5/7/2002 | $26.79 | $26.63 | 68.94 | 78.28 | 65.80 | 65.86 | 67.75 | 41.00 | 38.63 | | |
| 5/8/2002 | $27.76 | $27.85 | 68.78 | 78.77 | 66.80 | 67.40 | 68.85 | 42.50 | 40.38 | | |
| 5/9/2002 | $27.78 | $27.68 | 68.79 | 77.46 | 67.35 | 67.79 | 69.38 | 41.38 | 39.25 | | |
| 5/10/2002 | $27.92 | $27.99 | 70.33 | 79.05 | 68.25 | 68.92 | 70.13 | 41.38 | 39.25 | | |
| 5/13/2002 | $28.62 | $28.38 | 72.03 | 79.73 | 69.25 | 69.45 | 71.38 | 41.26 | 39.07 | 138.8 | 129.9 |
| 5/14/2002 | $29.17 | $29.36 | 72.93 | 82.63 | 70.90 | 71.68 | 73.00 | 42.75 | 39.69 | | |
| 5/15/2002 | $28.17 | $28.15 | 69.49 | 78.82 | 67.67 | 67.79 | 69.77 | 41.82 | 37.88 | | |
| 5/16/2002 | $28.00 | $27.95 | 70.38 | 79.53 | 68.12 | 68.16 | 70.22 | 41.13 | 39.00 | | |

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

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## Latest U.S. Weekly EIA Petroleum Information

(updated May 15, 2002)

**"30"**

The number 30 is on the lips of many oil traders, analysts, and industry executives these days. The price for West Texas Intermediate (WTI) crude oil, the benchmark crude oil for most of the Americas, rose above $29 per barrel on May 14 for the first time since mid-September 2001, and has risen by more than $3 per barrel since May 6. If prices continue to rise, as many market participants are beginning to expect may happen, the WTI price will rise above $30 per barrel for the first time since February 2001. This is a phenomenon that was not unexpected, as we have been highlighting how the crude oil market has been tightening of late, especially since March. As recently as April 5, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) were about 18 million barrels above year-ago levels, and even this was a large decline from the 40-million-barrel year-to-year surplus that existed on March 1. However, as of May 10, commercial crude oil inventories are now nearly 10 million barrels below year-earlier levels, and are in the bottom half of the normal range for inventories at this time of year.

With crude oil imports consistently running much lower than last spring, it was predictable that the crude oil surplus we had at the end of winter would melt away this spring. The production cutbacks from OPEC 10 countries (OPEC excluding Iraq) and some non-OPEC producers that went into effect beginning in January were bound to reduce imports. Even with reports that OPEC 10 crude oil production may have increased slightly in recent months, it is still much lower than it was a year ago. As the world's largest importer (and consumer) of petroleum, it was inevitable that lower production from OPEC 10 countries would ultimately lead to lower U.S. crude oil imports. Added into this mix is that Iraq ceased exporting oil under the United Nations program for 30 days beginning on April 8. While sources of crude oil imports on a weekly basis are very preliminary and thus not publishable, it does appear that Iraqi crude oil imports are beginning to have an effect on reducing imports into the United States. With product prices, particularly gasoline, not rising at the same pace crude oil prices have recently, it is likely that refiners may cut back on production, which would help slow the decline in crude oil inventories. And with product inventories much better off relative to crude oil (see the section below on the gasoline inventory situation), refiners could use inventories to supplement decreases in refinery production. However, if demand begins to pick up after Memorial Day, then product inventories may also begin to decline. If this occurs, then we may be looking at a repeat of 1999, when inventories fell over the second half of the year in a dramatic fashion, such that WTI prices rose well above $30 per barrel in 2000.

**Gasoline Supply More Than Ample For Now**

One bright spot for consumers in the run-up to the summer driving season is the continued strong buildup of motor gasoline inventories over the past several weeks. Total motor gasoline inventories ended the week of May 10, 2002 at 217.2 million barrels, a level more than 13 million barrels above the same period last year. With inventories at the upper end of the normal range, gasoline prices are not expected to spike as high as the last two years, even if demand picks up over the summer as expected. The combination of strong refinery production and the flood of gasoline imports during the last four weeks in particular, explain the current motor gasoline inventory cushion. Over this period, motor gasoline refinery production was up by nearly 400,000 barrels per day over an average of the same four-week period in 2000 and 2001, while gasoline imports were up nearly 300,000 barrels per day above the average for 2000 and 2001. With this much additional gasoline supply, it is not surprising that gasoline inventories are currently much higher than they were in 2000 and 2001. Nevertheless, this surplus may also evaporate if refiners cut back production and imports fall off to more normal levels, just as demand begins to increase heading into the summer driving season. In this case, renewed gasoline market strength will reinforce crude oil price pressure stemming from ongoing tightening in the crude oil balance.

**Retail Gasoline Prices See Little Action**

The retail gasoline market was quiet again this week, with the national average retail price for regular motor gasoline edging down 0.7 cent on May 13 to end at 138.8 cents per gallon. This price is 32.5 cents per gallon lower than last year. Prices have remained relatively flat over the past five weeks, with slight up and down changes. Prices were down throughout the country on May 13, with the largest decreases occurring on the West Coast. California retail gasoline prices fell 1.8 cents last week to end at 157.1 cents per gallon. With relatively little movement in spot gasoline prices over the last several weeks, it seems that the retail gasoline price has reached a new equilibrium for the very near-term and any price changes in the retail market can mostly be attributed to white noise. Again, this plateau may prove to be a brief pause, if recent crude oil price increases hold or grow further, or the gasoline balance tightens after Memorial Day.

Retail diesel fuel prices decreased by 0.6 cent per gallon to a national average of 129.9 cents per gallon as of May 13 after rising the previous week.

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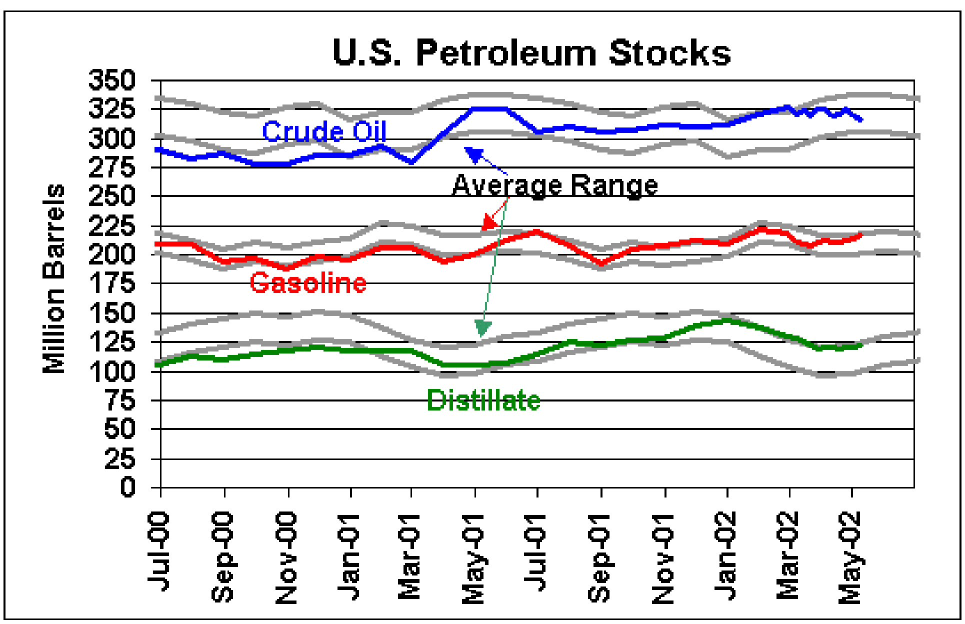
# U.S. Petroleum Supply (updated May 15, 2002)

| (Thousand Barrels per Day) | Four Weeks Ending 5/10/2002 | 5/10/2001 | vs. Year Ago Diff. | % Diff. |
|---|---|---|---|---|
| **Refinery Activity** | | | | |
| Crude Oil Input | 15,332 | 15,611 | -279 | -1.8% |
| Operable Capacity | 16,800 | 16,638 | 162 | 1.0% |
| Operable Capacity Utilization (%) | 91.9% | 95.3% | -3.4% | |
| Production | | | | |
| Motor Gasoline | 8,586 | 8,512 | 74 | 0.9% |
| Jet Fuel | 1,487 | 1,570 | -83 | -5.3% |
| Distillate Fuel Oil | 3,728 | 3,653 | 75 | 2.1% |
| **Imports** | | | | |
| Crude Oil (incl. SPR) | 9,117 | 9,768 | -651 | -6.7% |
| Motor Gasoline | 906 | 777 | 129 | 16.7% |
| Jet Fuel | 104 | 162 | -58 | -35.8% |
| Distillate Fuel Oil | 231 | 311 | -80 | -25.7% |
| Total | 11,514 | 12,289 | -775 | -6.3% |
| **Exports** | | | | |
| Crude Oil | 33 | 34 | -1 | -2.7% |
| Products | 935 | 968 | -33 | -3.5% |
| Total | 967 | 1,003 | -36 | -3.6% |
| **Products Supplied** | | | | |
| Motor Gasoline | 8,613 | 8,601 | 12 | 0.1% |
| Jet Fuel | 1,537 | 1,676 | -139 | -8.3% |
| Distillate Fuel Oil | 3,720 | 3,784 | -64 | -1.7% |
| Total | 19,307 | 19,559 | -252 | -1.3% |

| **Stocks** (Million Barrels) | 5/10/2002 | 5/10/2001 | vs. Year Ago Diff. | % Diff. |
|---|---|---|---|---|
| Crude Oil (excl. SPR) | 315.8 | 325.5 | -9.7 | -3.0% |
| Motor Gasoline | 217.2 | 204.1 | 13.1 | 6.4% |
| Jet Fuel | 40.5 | 41.2 | -0.7 | -1.7% |
| Distillate Fuel Oil | 122.5 | 105.7 | 16.8 | 15.9% |
| Total (excl. SPR) | 1,007.3 | 984.8 | 22.5 | 2.3% |




Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

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## World Oil Market Highlights

(updated May 7, 2002)

According to second quarter 2002 estimates, the world holds about 6.8 million barrels per day of excess oil production capacity, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

| Major Sources of U.S. Petroleum Imports, 2001* (all volumes in million barrels per day) | | | |
|---|---|---|---|
| | **Total Oil Imports** | **Crude Oil Imports** | **Petroleum Product Imports** |
| **Canada** | 1.79 | 1.32 | 0.47 |
| **Saudi Arabia** | 1.66 | 1.61 | 0.05 |
| **Venezuela** | 1.54 | 1.28 | 0.26 |
| **Mexico** | 1.42 | 1.38 | 0.04 |
| **Nigeria** | 0.86 | 0.81 | 0.04 |
| **Iraq** | 0.78 | 0.78 | 0.00 |
| **Norway** | 0.33 | 0.27 | 0.06 |
| **Angola** | 0.32 | 0.31 | 0.07 |
| **United Kingdom** | 0.31 | 0.23 | 0.08 |
| **Total Imports** | 11.62 | 9.15 | 2.47 |

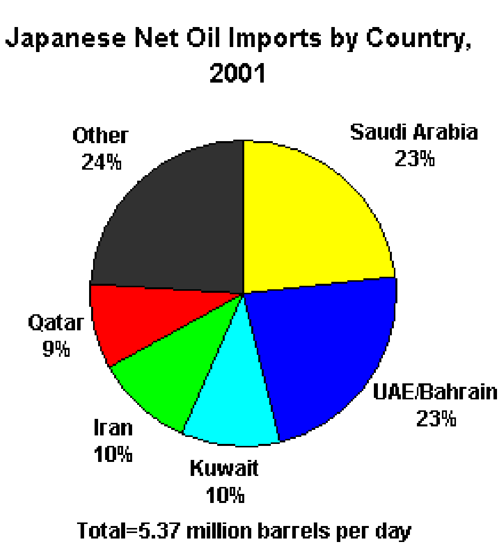
** Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.*

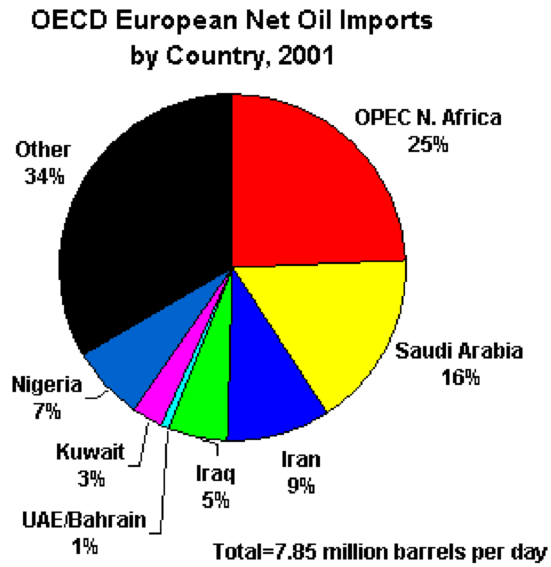
| Top World Oil Net Exporters, 2001* | | |
|---|---|---|
| | **Country** | **Net Exports (million barrels per day)** |
| 1) | Saudi Arabia | 7.38 |
| 2) | Russia | 4.76 |
| 3) | Norway | 3.22 |
| 4) | Iran | 2.74 |
| 5) | Venezuela | 2.60 |
| 6) | United Arab Emirates | 2.09 |
| 7) | Nigeria | 2.00 |
| 8) | Iraq | 2.00 |
| 9) | Kuwait | 1.80 |
| 10) | Mexico | 1.65 |
| 11) | Libya | 1.24 |
| 12) | Algeria | 1.24 |

**Table includes all countries with net exports exceeding 1 million barrels per day in 2001.*

During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

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## Latest U.S. Weekly Natural Gas Information

(updated May 17, 2002)

Industry/Market Developments

*NYMEX to Launch OTC Energy Clearing Services:* The New York Mercantile Exchange (NYMEX) announced that it will begin over-the-counter (OTC) energy clearing services for 25 of the most commonly traded OTC energy contracts on May 31, 2002. The new services will cover a variety of common location- and index-based OTC products. In addition to natural gas swaps contracts based at the Henry Hub in Louisiana, the OTC transactions will include natural gas basis swaps contracts for the AECO-C Hub in Alberta, Chicago Citygate, Houston Ship Channel, San Juan Basin, Southern California border, Transco Zone 6, Northwest Pipeline Rockies, and Panhandle Eastern Pipe Line Co. The transactions will not be displayed by NYMEX, but will remain confidential. The NYMEX will accept trades of the OTC contracts between the hours of 7:00 AM to 1:30 PM EST each business day. After two parties complete a transaction covering the common OTC products, the contracts will be posted with NYMEX, margin positions will be adjusted, and the contract cleared by the NYMEX. According to NYMEX, the new offering will give energy markets new products to trade, increased trading security, and new trading flexibility.

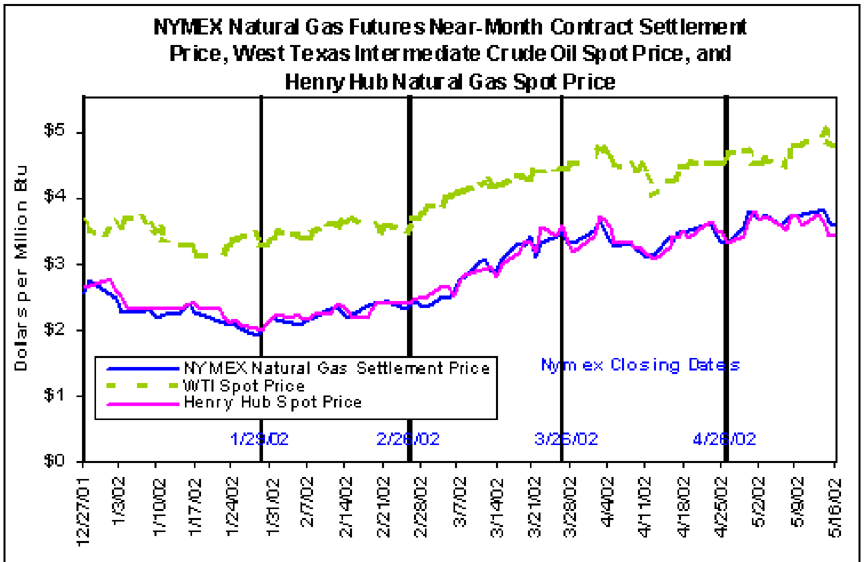
Natural Gas Storage

Net injections of natural gas into storage were 55 Bcf for the week ended, May 10, 2002, according to EIA's Weekly Gas Storage Report. Injections were below the 5-year average of 77 Bcf for the United States as a whole, as well as the 5-year averages in all three regions in the storage report. Although there was a relatively low injection in comparison to last year and the 5-year average, inventories remain well above historical levels. At 1,657 Bcf, total storage levels remain 500 Bcf over last year and 330 Bcf over the 5-year average.

Prices

The decline in spot market prices that began Wednesday (5/15/02) continued for another day as prices at most major market locations moved down between 10 and 20 cents per MMBtu yesterday (5/16/02), although some locations had much larger declines. The price at the Henry Hub declined 18 cents to $3.44 as cooler temperatures spread throughout most of the country. In Florida, where over two weeks of pipeline transmission constraints have ended and most of the recent hot weather has dissipated, the price dropped $1.78 per MMBtu but still remained over $5.00 per MMBtu. In the Rocky Mountains, most sites in the region reported one-day price decreases of more than $0.50 per MMBtu and posted prices close to $1.65.

At the NYMEX, the daily settlement price for the June futures contract moved down again to end trading on Thursday, May 16 at $3.609 per MMBtu -- down almost $0.25 from Tuesday's high of $3.855.




Note: The West Texas Intermediate crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.
Source: NGI'S *Daily Gas Price Index* (http://intelligencepress.com)

| *All prices in $ per MMBtu* | California Composite Average Price* | Henry Hub | New York City | Chicago | NYMEX futures contract-June delivery | NYMEX futures contract-July delivery |
|---|---|---|---|---|---|---|
| 4/19/02 | 3.01 | 3.40 | 3.68 | 3.41 | 3.562 | 3.595 |
| 4/22/02 | 3.32 | 3.58 | 3.97 | 3.59 | 3.616 | 3.646 |
| 4/23/02 | 3.31 | 3.63 | 3.97 | 3.64 | 3.615 | 3.645 |
| 4/24/02 | 3.14 | 3.53 | 3.85 | 3.55 | 3.431 | 3.465 |
| 4/25/02 | 3.14 | 3.47 | 3.81 | 3.49 | 3.306 | 3.341 |
| 4/26/02 | 2.70 | 3.32 | 3.66 | 3.33 | 3.372 | 3.407 |
| 4/29/02 | 3.14 | 3.44 | 3.79 | 3.48 | 3.561 | 3.589 |
| 4/30/02 | 3.27 | 3.65 | 3.95 | 3.67 | 3.795 | 3.823 |
| 5/1/02 | 3.32 | 3.79 | 4.06 | 3.81 | 3.735 | 3.767 |
| 5/2/02 | 3.15 | 3.65 | 3.91 | 3.66 | 3.684 | 3.721 |
| 5/3/02 | 2.91 | 3.71 | 3.92 | 3.69 | 3.745 | 3.787 |
| 5/6/02 | 3.23 | 3.61 | 3.81 | 3.58 | 3.595 | 3.639 |
| 5/7/02 | 3.16 | 3.49 | 3.74 | 3.49 | 3.673 | 3.719 |
| 5/8/02 | 3.30 | 3.74 | 4.01 | 3.74 | 3.746 | 3.794 |
| 5/9/02 | 3.39 | 3.72 | 4.05 | 3.74 | 3.719 | 3.768 |
| 5/10/02 | 3.16 | 3.71 | 4.00 | 3.73 | 3.749 | 3.800 |
| 5/13/02 | 3.25 | 3.61 | 3.91 | 3.64 | 3.783 | 3.831 |
| 5/14/02 | 3.37 | 3.75 | 4.06 | 3.79 | 3.855 | 3.912 |
| 5/15/02 | 3.21 | 3.62 | 3.92 | 3.63 | 3.640 | 3.715 |
| 5/16/02 | 3.00 | 3.44 | 3.73 | 3.49 | 3.609 | 3.689 |

* Average of *NGI's* reported average prices for: Malin, PG&E citygate, and Southern California Border Average.
*Source: NGI's Daily Gas Price Index (http://intelligencepress.com)*

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## Latest U.S. Coal Information

(updated May 16, 2002)

In a brief filed Monday, May 13, the Federal Government argued that a recent court order “casts a tremendous cloud of uncertainty over all future coal mining in Appalachia.” The near-term effects in the region predicted in the Department of Justice’s motion would include suspension of future coal mining projects, laying off of existing workers, and suspension of plans for hiring new ones. Reaction has been swift since May 8, when the U.S. Army Corps of Engineers was ordered to cease issuing permits that allow filling of valleys and burial of streambeds adjoining mountaintop removal coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the controversial 44-page ruling in Charleston, West Virginia, in a suit brought by Kentuckians for the Commonwealth, Inc., a citizens group, against the Corps' Huntington, West Virginia, District.

The disputed practice, known as "valley fill," has been allowed for almost 20 years and mining companies consider it an important component of economical coal recovery at the mammoth mountaintop operations. Haden wrote that the Corps' "rule change was designed simply for the benefit of the mining industry and its employees" and that the "practice is illegal because it is contrary to the spirit and the letter of the Clean Water Act." This ruling came just as the Government was taking steps to remove regulatory impediments to mountaintop mining, including plans to shift all permitting to individual States. On May 9, the Corps published a final rule in the Federal Register that allows mine overburden to be dumped in streams regulated under Section 404 of the Clean Water Act.

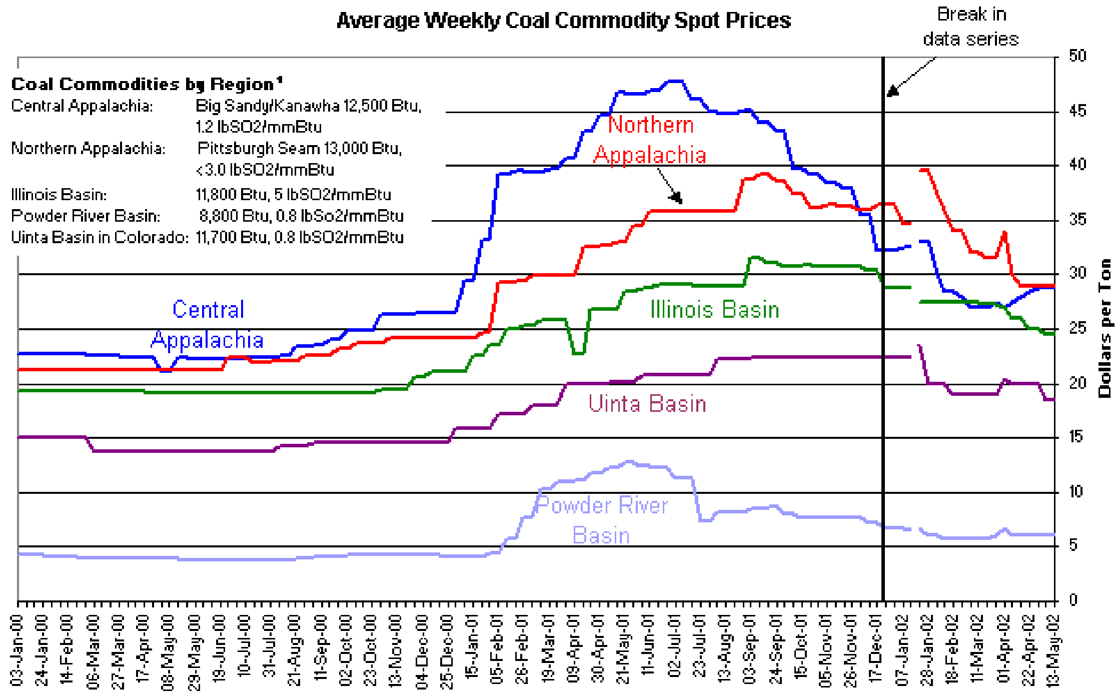
The National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region. In its May 13 motion, pending appeal, the Justice Department contends that the ruling is broad and, if fully implemented, would stop all new surface coal mining (not just mountaintop removal) in steep terrain, because some valley filling is necessary even in less expansive operations. It also contemplates possible impacts on underground mining in steep terrain, which generally requires preparation plants, with waste impoundments in valleys, and may use valley fill for mine roads. Further, the motion questions whether the ruling might be applied to other mining besides coal.

In a separate issue affecting mostly Appalachian coal mining, on April 24 the National Mining Association filed a motion to stay a March 28 ruling restricting land subsidence associated with underground coal mining. On April 25, Secretary of the Interior and co-defendant Gale Norton filed for a stay of the same decision. The ruling by U.S. District Judge James Robertson of the federal district court in Washington, DC, would restrict underground coal mining beneath national parks, inhabited residences, and other protected areas. The court sided with the Citizens Coal Council, an environmental advocacy group, which challenged how the Department of the Interior permits underground coal mining-especially "longwall" mining — that may cause ground subsidence in protected areas. The ruling would negate long-standing permit practices that have regularly been challenged almost since the inception of the Surface Mining Control and Reclamation Act of 1977.

For the week ending May 11, EIA estimates U.S. coal production at 20.3 million short tons (mst). This was 8.1% lower than in the comparable week in 2001. Year-to-date as of May 11, rail car loadings of coal and national coal production have fallen by 4.7% and 5.4%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.7% below last year's level. The estimated production for the first four months of 2002 was 356.2 mst. Lower production at this time correlates with higher-than-usual coal stockpiles at consuming facilities and with a long spring period of low seasonal demand at electric power plants, as well as slowed economic activity.

U.S. coal prices in recent months have either fallen or held relatively steady. Allowing for changes is the price indexes since last summer, Illinois, Uinta, and Powder River Basin coals continue the level-to-slowly-declining price profiles established under the 2001 spot data. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen significantly (by about $19.00 and $10.00 per short ton, respectively). The latest indexed spot prices, $28.75 per short ton for Central Appalachian and $29.00 per short ton for Northern Appalachian coal, are respectively 29% and 36% above prices in the summer of 2000, prior to escalation. Other prices are also running higher than the summer 2000 baseline: by about 35% for the Uinta Basin, 30% for the Illinois Basin, and 60% for the Powder River Basin.

In the latest week, near-quarter over-the-counter (OTC) coal prices mostly held steady or moved down by small percentages (graphic below). Although NYMEX trade volumes are erratic, trading on Tuesday, May 14, reached a new high as 264 trades were settled. Prices for NYMEX trades for calendar year 2003 rose to $28.95 per short ton, from $28.50 per short ton, and some OTC trades for Appalachian bituminous broke above $29 per short ton for calendar year 2003. On average, however, settled prices since early February 2002 have been relatively level, in the $25 to $28 per short ton range with generally low daily volumes.




Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

[1]Prior to January 14, 2002 EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, the values shown are based on a single specification in each region for delivery by the end of the next quarter.

In the long term, EIA expects domestic coal supplies to be adequate for projected consumption. Most coal is still sold under multi-year contracts, and average prices for all coal supply contracts, incorporating spot and long-term, are projected to stabilize at well below current spot prices. EIA's projections of average coal prices decline slightly in inflation-adjusted dollars because nominal prices rise more slowly than the rate of inflation between 2000 and 2020.

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## Latest U.S. Electricity Information

(updated May 17, 2002)

**Selected Wholesale Electricity Prices:** Western U.S. wholesale electricity prices have been mixed over the past seven days (excluding weekend transactions) as electricity demand has increased and decreased based on changes in the weather. Prices at the California-Oregon Border (COB) have ranged between a high of $32.50 per megawatthour on May 15 and a low of $25.91 per megawatthour on May 8. Prices at the Palo Verde trading center have ranged between a high of $35.67 per megawatthour on May 15 and a low of $27.48 per megawatthour on May 10.

Similarly, prices in the Northeast have been mixed over the past seven days. Prices at the New York ISO ranged from a high of $37.52 per megawatthour on May 10 to a low of $33.93 per megawatthour on May 13. ISO New England prices ranged from a high of $40.99 per megawatthour on May 13 to a low $32.30 per megawatthour on May 8.

The average price at all trading centers has been mixed ranging between a high of $32.47 and a low of $28.15 per megawatthour.

## U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

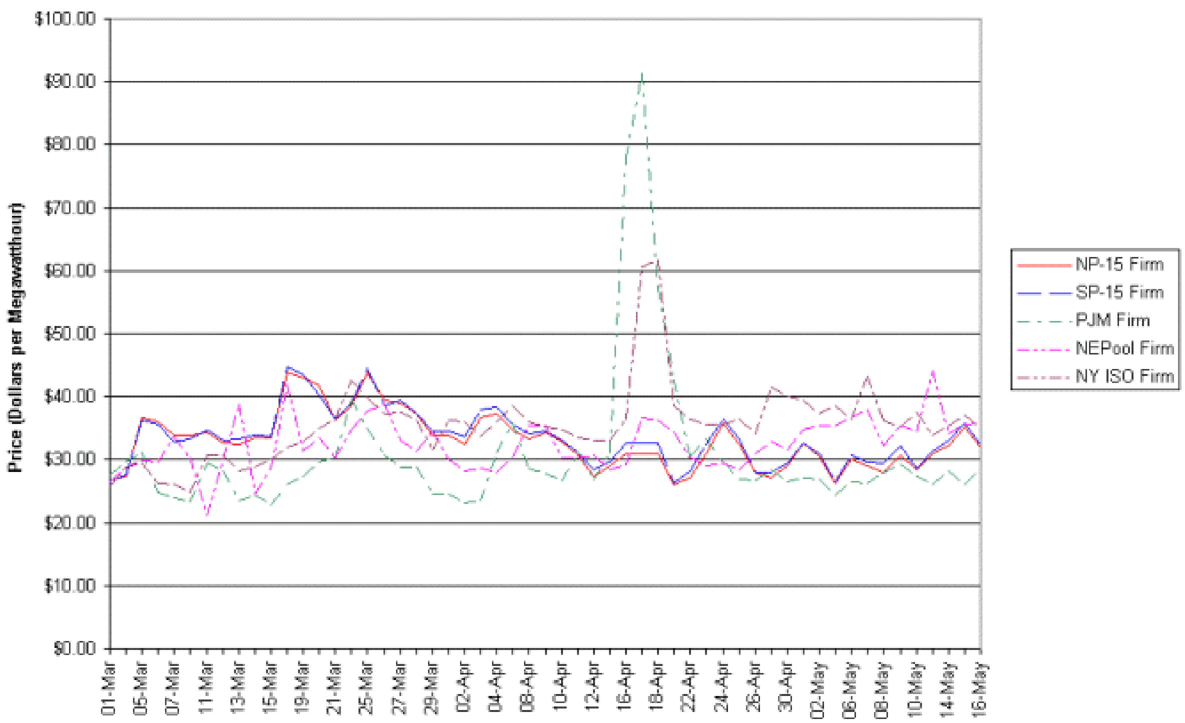
| Trading Centers | Date | | | | | | | Price Range | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 5/8/02 | 5/9/02 | 5/10/02 | 5/13/02 | 5/14/02 | 5/15/02 | 5/16/02 | Max | Min | Average |
| | | | | | | | | | | |
| COB | 25.91 | 28.40 | 26.42 | 27.81 | 29.86 | 32.50 | 29.96 | 32.50 | 25.91 | 29.00 |
| Palo Verde | 27.72 | 30.63 | 27.48 | 30.35 | 32.43 | 35.67 | 30.86 | 35.67 | 27.48 | 31.31 |
| Mid-Columbia | 23.79 | 26.80 | 24.37 | 25.45 | 26.92 | 30.89 | 27.92 | 30.89 | 23.79 | 26.89 |
| Mead/Marketplace | 28.18 | 31.33 | 27.82 | 30.68 | 33.38 | 35.10 | 31.88 | 35.10 | 27.82 | 31.66 |
| 4 Corners | 27.00 | 30.25 | 25.00 | 30.00 | 31.81 | 34.29 | 30.58 | 34.29 | 25.00 | 30.27 |
| NP 15 | 28.05 | 30.72 | 28.42 | 30.93 | 32.28 | 35.23 | 32.06 | 35.23 | 28.05 | 31.52 |
| SP 15 | 29.53 | 32.19 | 28.56 | 31.44 | 33.07 | 35.82 | 32.41 | 35.82 | 28.56 | 32.22 |
| PJM West | 27.93 | 29.33 | 27.27 | 26.00 | 28.18 | 26.00 | 28.51 | 29.33 | 26.00 | 27.36 |
| ISO New England | 32.30 | 35.30 | 34.62 | 40.99 | 34.09 | 35.65 | 35.81 | 40.99 | 32.30 | 36.14 |
| New York ISO | 36.20 | 35.26 | 37.52 | 33.93 | 35.39 | 37.09 | 34.87 | 37.52 | 33.93 | 35.83 |
| Cinergy | 28.23 | 28.92 | 22.23 | 18.81 | 17.60 | 18.96 | 17.78 | 28.92 | 17.60 | 21.30 |
| Average Price | 28.62 | 30.83 | 28.15 | 29.67 | 30.46 | 32.47 | 30.24 | 32.47 | 28.15 | 30.32 |

**Source:** COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West,and Cinergy trading centers, Used with Permission from Bloomberg L.P.(www.bloomberg.com), ISO New England (http://www.iso-ne.com), and New York ISO

**Notes:**
n.q. - No quotes available for the day.

| | |
|---|---|
| **COB:** | Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders. |
| **Palo Verde:** | Average price of electricity traded at Palo Verde and the West Wing, Arizona. |
| **Mid-Columbia:** | Average price of electricity traded at Mid-Columbia. |
| **Mead/Market Place:** | Average price of electricity traded at Mead Market Place, McCullough and Eldorado. |
| **Four Corners:** | Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico. |
| **NP-15:** | Average price of electricity traded at NP-15. |
| **SP-15:** | Average price of electricity traded at SP-15. |
| **PJM-West:** | Average price of electricity traded at PJM Western hub. |
| **Nepool:** | Average price of electricity traded at the New England ISO, formerly Nepool. |
| **New York ISO:** | Average price of electricity traded at the New York ISO. |
| **Cinergy:** | Average price of electricity traded into the Cinergy control area. |

Average Wholesale Electricity Prices in the U.S.

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Contact:
Lowell Feld and Tara Billingsley
lowell.feld@eia.doe.gov
tara.billingsley@eia.doe.gov
Phone: Lowell Feld: (202) 586-9502; Tara Billingsley: (202) 586-0172
Fax: (202) 586-9753

URL: http://www.eia.doe.gov/emeu/security/esar/esar.html

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